



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

The Social Security Administration's Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2021

A-15-21-51121 | May 2022



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 11, 2022

Refer To: A-15-21-51121

To: Kilolo Kijakazi
Acting Commissioner

From: Gail S. Ennis, 
Inspector General

Subject: The Social Security Administration's Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2021

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration met all requirements of the *Payment Integrity Information Act of 2019* in the Fiscal Year 2021 Agency Financial Report and accompanying materials.

If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit.

Attachment

The Social Security Administration's Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2021

A-15-21-51121



May 2022

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) met all requirements of the *Payment Integrity Information Act of 2019* (PIIA) in the Fiscal Year (FY) 2021 Agency Financial Report (AFR) and accompanying materials.

Background

On March 2, 2020, the President signed PIIA into law to improve efforts to identify and reduce Government-wide improper payments. PIIA repealed and replaced the *Improper Payments Elimination and Recovery Improvement Act of 2012*, *Improper Payments Elimination and Recovery Act of 2010*, and *Improper Payments Information Act of 2002*. In March 2021, the Office of Management and Budget (OMB) issued updated Government-wide guidance on the implementation of PIIA. Both PIIA and OMB guidance require that agencies report specific improper payment information in their AFRs and accompanying materials. Further, the law and guidance require that Inspectors General review the improper payment information their respective agencies report in their AFRs and accompanying materials.

Results

For its FY 2021 Payment Integrity reporting, SSA did not fully comply with PIIA reporting requirements. Although the Agency met nine PIIA criteria, SSA did not report an improper payment and unknown payment estimate of less than 10 percent for Supplemental Security Income. SSA reported a 10.09-percent Supplemental Security Income (SSI) improper payment and unknown payment rate. The OASDI program fully complied.

A leading cause of overpayments in the SSI program is undisclosed financial accounts. To address this, SSA implemented the Access to Financial Institutions (AFI) program in June 2011. AFI verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the claimant's address. SSA uses AFI when it processes initial SSI applications and periodic eligibility redeterminations. The AFI program was in place for FYs 2012 through 2020; however, deficiency dollars averaged approximately \$1.2 billion, increasing to over \$1.9 billion in FY 2020. SSA is exploring a possible reduction in the AFI tolerance of countable liquid resources, through an expansion study that examines reducing the tolerance from \$400 to \$0; however, SSA indicated this study is on hold because of COVID-19 pandemic. SSA is not currently exploring the expanded use of AFI between initial claims and redeterminations because of a broad range of legal, technical, operational, and contractual barriers. SSA plans to revisit this issue.

In addition, wage discrepancies and substantial gainful activity were a leading cause of SSI and Old-Age, Survivors, and Disability Insurance improper payments, respectively. In FY 2019, SSA awarded a vendor a contract to build an information exchange to obtain monthly earnings data from third-party payroll data providers. SSA completed its first data exchange in August 2021. SSA is several years from determining whether the commercial payroll exchange effectively reduces improper payments that are caused by wage and substantial gainful activity reporting deficiencies.

Recommendation

We recommend SSA complete the expansion study for AFI and assess the effectiveness of lowering the countable liquid resource tolerance to \$0. SSA agreed with our recommendation.

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ABBREVIATIONS

AFI	Access to Financial Institutions
AFR	Agency Financial Report
C.F.R.	Code of Federal Regulations
FY	Fiscal Year
IP	Improper Payment
IPAS	Improper Payment Alignment Strategy
IPPT	Improper Payments Prevention Team
IRS	Internal Revenue Service
OASDI	Old-Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQR	Office of Quality Review
PIIA	<i>Payment Integrity Information Act of 2019</i>
POMS	Program Operations Manual System
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
UP	Unknown Payment
U.S.C.	United States Code
WEP	Windfall Elimination Provision

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) met all requirements of the *Payment Integrity Information Act of 2019* (PIIA) in the Fiscal Year (FY) 2021 Agency Financial Report and accompanying materials.¹

BACKGROUND

On March 2, 2020, the President signed PIIA to improve efforts to identify and reduce Government-wide improper payments.² Under PIIA, agencies must identify all programs and activities that may be susceptible to significant improper payments. Once these programs and activities are identified, each agency is required to report on actions it has taken, or plans to take, to recover improper payments and prevent future improper payments.³ Refer to Appendix A for agency reporting requirements.

Inspectors General are required to review their respective agencies' improper payment and high-dollar overpayment reporting requirements. Our compliance review for FY 2021 used a combination of requirements in Office of Management and Budget (OMB) Circulars A-123, Appendix C, *Requirements for Payments Integrity Improvement*,⁴ and A-136 *Financial Reporting Requirements*,⁵ OMB Annual Data Call Instructions,⁶ and the Council of the Inspectors General on Integrity and Efficiency's guidance required under PIIA.⁷ Refer to Appendix B for Inspector General reporting responsibilities and Appendix C for our scope and methodology.

¹ These include information SSA provides OMB through the annual data calls and quarterly surveys that is used to populate information on [paymentaccuracy.gov](https://www.paymentaccuracy.gov) (including quarterly program scorecards, annual improper payment datasets and the annual improper payments dashboard).

² Pub. L. No. 116-117, 134 Stat. 113. The PIIA revised the government's improper payment reporting requirements by repealing and replacing the *Improper Payments Information Act of 2002*, the *Improper Payments Elimination and Recovery Act of 2010*, the *Improper Payments Elimination and Recovery Improvement Act of 2012* and the *Fraud Reduction and Data Analytics Act of 2015*.

³ *Payment Integrity Information Act of 2019*, 31 U.S.C. § 3352, § (b)(2)(B)(i).

⁴ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, (2021).

⁵ OMB, *Financial Reporting Requirements*, Circular A-136 Revised (2021).

⁶ OMB annual data call instructions are posted to community.max.gov.

⁷ Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (2021).

SSA's Office of Quality Review (OQR) conducts stewardship reviews to determine the accuracy of benefit entitlement/eligibility and payment amounts made during a sample period. These stewardship reviews examine the non-medical elements in the Old-Age, Survivors and Disability Insurance (OASDI)⁸ and Supplemental Security Income (SSI)⁹ programs. Each month, OQR selects a statistically valid sample of beneficiaries who received one or more payments during the review period. An OQR employee interviews the selected beneficiary or their representative payee, makes necessary collateral contacts, and re-develops all non-medical factors of entitlement as of the sample month. OMB approved SSA using these reviews to produce a statistically valid estimate of SSA's improper payments. Improper payment amounts identified by stewardship reviews can fluctuate greatly from year to year. As stated in our prior report, SSA should re-evalaute its use of the stewardship reviews to estimate improper payments.¹⁰

SSA uses the results of its stewardship reviews, in part, for the payment integrity section of its Agency Financial Report (AFR) and accompanying materials. In accordance with OMB guidelines, SSA reports improper payments that result from (1) its mistake in computing the payment; (2) its failure to obtain, or act on, available information affecting the payment; (3) a beneficiary's failure to report an event; or (4) a beneficiary's incorrect report. Some stewardship cases have more than one error that causes an incorrect payment. SSA calls each error a deficiency. Data SSA reported in its FY 2021 AFR and accompanying materials were for cases OQR sampled in FY 2020.¹¹

In FY 2019, SSA established the Improper Payment Prevention Team (IPPT) to address improper payments. Since FY 2019, the IPPT developed nine Improper Payment Alignment Strategies (IPAS)¹² to determine the underlying causes of payment errors, develop corrective action plans, and determine cost-effective actions.

⁸ The OASDI program provides benefits to wage earners and their families who meet certain criteria in the event the wage earner retires, becomes disabled, or dies. See 20 C.F.R. Part 404.

⁹ The SSI program provides payments to financially needy individuals who are aged, blind, or disabled. See 20 C.F.R. § 416.110.

¹⁰ SSA, OIG, *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2019 Agency Financial Report, A-15-19-50842*, p. 14 (May 2020).

¹¹ SSA will not have FY 2021 data until late FY 2022.

¹² As of September 2021, SSA finalized nine IPAS: (1) Substantial Gainful Activity (SGA), (2) Financial Accounts, (3) SSI Wages, (4) Non-home Real Property, (5) Absence from the United States, (6) Medical Cessation Processing, (7) Death Data, (8) Government Pension Offset and Windfall Elimination Provision, and (9) In-kind Support and Maintenance. The IPAs are living documents that SSA updates continually.

RESULTS OF REVIEW

For its FY 2021 Payment Integrity reporting, SSA timely submitted the required information OMB used to populate the FY 2021 quarterly Payment Integrity Scorecards, which fulfills the high-dollar overpayment reporting requirements. SSA met all 10 PIIA criteria for OASDI; however, SSA did not fully comply with PIIA reporting requirements for SSI. Although the Agency met nine PIIA criteria, it did not report an improper (IP) and unknown payment (UP) estimate of less than 10 percent for SSI. SSA reported an SSI IP and UP rate of approximately 10.09 percent. Because OMB requires that the Agency meet all requirements to be fully compliant with PIIA, we concluded SSA had not fully complied with PIIA. In Appendix D, we summarize the OMB requirement SSA did not meet, our observations, and SSA's response. Table 1 shows our conclusions on SSA compliance with PIIA criteria.

Table 1: SSA PIIA Compliance Reporting¹³

Requirement	OASDI	SSI
Published payment integrity information with the annual financial statement	Compliant	Compliant
Posted the annual financial statement and accompanying materials on the agency Website	Compliant	Compliant
Conducted IP risk assessment for each program with annual outlays greater than \$10,000,000 at least once in the last 3 years	Compliant	Compliant
Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	Compliant	Compliant
Published IP and UP estimates for programs susceptible to significant IPs in the accompanying materials to the annual financial statement	Compliant	Compliant
Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Compliant	Compliant
Published IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Compliant	Compliant
Has demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	Compliant	Compliant
Has developed a plan to meet the IP and UP reduction target	Compliant	Compliant
Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement	Compliant	Non-Compliant

¹³ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-21-19*, part VI, section (C)(5), p. 52 (2021).

Update on Prior-year Recommendations

In our FY 2020 review, we encouraged SSA to continue efforts to measure the effectiveness of existing initiatives in reducing improper payments.¹⁴ In December 2021, SSA provided the following update.

In FY 2019, we developed the ...IPAS... process to obtain agency-wide engagement and agreement on actions needed to remedy improper payment issues. The process includes determining underlying causes of the errors, collaboratively developing corrective actions, and identifying the most cost-effective actions. In FY 2021, we completed IPASs for nine areas of improper payment deficiencies in our programs.

In FY 2022, we continue to monitor the progress of mitigation strategies and corrective actions. We also developed a logic model framework to measure the effectiveness of completed corrective actions within the IPASs. The framework includes establishing measurements and benchmarks to evaluate the corrective actions, assessing the impact of each action, and determining if additional mitigating activities are necessary. [The Office of Program Integrity] plans to work with component subject matter experts to complete the evaluation process for IPASs on Non-Home Real Property, [SSI] Wages, and Windfall Elimination Provision/Government Pension Offset by the end of FY 2022. We will then use the logic model framework and standardized process to continue our evaluation efforts on the other IPASs. Although we will follow this established process, we continue to assert that given the scope and complexity of our programs, it is extremely difficult to isolate the effects of a single corrective action on the overall reduction of improper payments.

We also encouraged SSA to continue to identify and develop new initiatives that address the root causes of improper payments. In December 2021, SSA provided the following update to this recommendation.

Over the past several years, SSA has made strides to continue to ensure stewardship and improve program integrity. We formed the ...IPPT... within the Office of Program Integrity. IPPT is committed to coordinating, monitoring, and evaluating improper payment related activities. In addition to monitoring and evaluating existing initiatives, in FY 2021, the IPPT completed discovery sessions with component subject matter experts to identify and prioritize potential new initiatives that target the root causes of improper payments. In FY 2022, the IPPT is working with stakeholders to explore implementation of these initiatives, which have been or will be added to the IPASs, if appropriate.

¹⁴ SSA, OIG, *The Social Security Administration's Compliance with the Payment Integrity Information Act of 2019 in the Fiscal Year 2020 Agency Financial Report*, A-15-20-50949, p. 14 (May 2021).

In our FY 2020 report, we recommended SSA improve its controls to ensure the information it presents in payment integrity reports is complete and accurate. SSA provided its *Payment Integrity Reporting Internal Quality Review Plan* for FY 2021, which included a discussion of the controls used to ensure the information presented in payment integrity reports is complete and accurate. In addition, SSA provided the following update.

We follow a strict internal quality review plan to ensure the information we report is accurate and complete. We completed the FY 2021 Payment Integrity Information Reporting Act requirements through the [OMB's] payment integrity data call for our three programs [OASDI]—[SSI]—and Administrative Payments. OMB published the information on its payment accuracy website (paymentaccuracy.gov). We have enhanced controls to minimize any future reporting errors.

During our current review of the supporting documentation provided for the FY 2021 AFR and accompanying materials, we noted all material figures and facts presented matched the support provided by SSA.

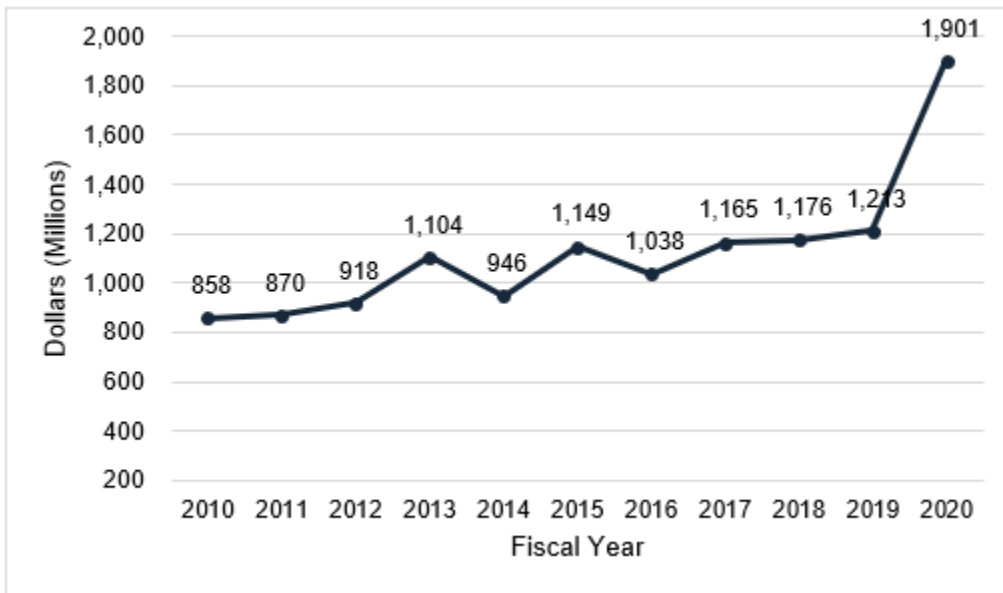
SSI Overpayments Caused by Financial Accounts

As reported in prior years, a leading cause of overpayments in the SSI program is undisclosed financial accounts.¹⁵ To address this, SSA implemented the Access to Financial Institutions (AFI) program in June 2011. AFI verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the claimant's address. SSA uses AFI when it processes initial SSI applications and periodic eligibility redeterminations.¹⁶ As shown in Figure 1, overpayments related to financial accounts increased approximately 121 percent from FY 2010 to FY 2020.

¹⁵ SSA, *Fiscal Year 2020 Title XVI Payment Accuracy Report*, p. 2 (July 2021).

¹⁶ A redetermination is a review of a recipient's non-medical eligibility factors (that is, income, resources, and living arrangements) to determine whether the recipient is still eligible for, and receiving, the correct SSI payment. SSA, *POMS*, SI 02305.001, A (September 5, 2019).

Figure 1: SSI Financial Accounts Overpayment Deficiency¹⁷ Dollars¹⁸ (FYs 2010 Through 2020)



The AFI program was in place for FYs 2012 through 2020. Deficiency dollars averaged approximately \$1.2 billion, increasing to over \$1.9 billion in FY 2020. Over this 9-year period, a successful improper payment initiative should have reduced these financial account deficiencies. SSA provided the following response for the increase in overpayments caused by financial accounts.

[SSI] recipients and their representative payees are required to notify us when a change occurs that affects their SSI eligibility and payment amount, such as resources that exceed allowable amounts. Failure to report these payment-affecting changes continues to be the primary cause of overpayment errors. Tools such as the Access to Financial Institutions are effective to identify errors, but the SSI program continues to rely heavily on recipients to report changes timely to prevent errors.

SSA last updated the AFI program in January 2016 when it added a search feature to identify financial institutions by routing number.¹⁹ During our 2019 review, SSA indicated it was exploring a possible reduction in the AFI tolerance of countable liquid resources, through an expansion study that examines reducing the tolerance from \$400 to \$0. SSA provided the following update to this initiative: “The expansion study was expected to begin in mid-April 2020. In June 2020, SSA completed the development of a web-based data collection tool to

¹⁷ Per SSA, “[It] assessed the impact of the COVID-19 pandemic on the stewardship findings for FY 2020 and determined that factoring out the affected cases would lead to a discernible, but not statistically significant, increase in the national overpayment accuracy rate.”

¹⁸ OQR provided deficiency dollar amounts in Figure 1. We did not independently verify the accuracy of these data.

¹⁹ The routing number serves to identify the specific financial institution which is responsible for the payment.

facilitate the study; however, due to COVID-19, the start date for the study remains on hold and is dependent upon the resumption of normal agency activities.”

Several of our previous audits determined the Agency could have realized additional savings had it used AFI more often. In December 2014, we reported SSA would not realize AFI’s full potential for identifying and preventing improper payments until it used AFI for all cases.²⁰ We recommended SSA determine whether systems enhancements were feasible for the program. In our FY 2020 report,²¹ SSA indicated it was exploring the expanded use of AFI between initial claims and redeterminations. SSA uses AFI at the initial SSI application and during periodic redeterminations. In FY 2021, SSA determined the expanded use

. . . was not feasible due to a broad range of legal, technical, operational, and contractual barriers. After careful consideration, it was determined that we would not pursue the AFI expansion at this time... [The] most significant and critical barrier in any potential AFI expansion activity is operational. Prior to expanding AFI, we must first conduct a study to collect additional data and explore outcomes of expanded AFI usage. Currently, there is no operational capacity to support such a study, therefore, it is on hold. We plan to re-visit the feasibility of conducting the study in FY 2023. In addition to conducting the study and in concert with Operational capacity, there are also contractual scope and funding considerations that will need to be addressed prior to AFI expansion.

We estimated, in FY 2020, SSA could have prevented approximately \$1.6 billion in overpayments due to undisclosed financial accounts had it performed AFI searches between the initial application and redetermination.

In a 2018 review, we determined SSA had not completed eligibility redeterminations for approximately 1.1 million SSI recipients in longer than 10 years. We estimated SSA overpaid 77,060 SSI recipients approximately \$381.5 million. Per SSA, SSI redeterminations save significant program dollars by avoiding improper payments and detecting prior improper payments for subsequent recovery. We recommended SSA enhance the process it used to select SSI recipients for redeterminations.²² In response to this recommendation, SSA updated screening filters and models for selecting cases for redeterminations.

²⁰ SSA, OIG, *The Social Security Administration’s Access to Financial Institutions Program, Limited Distribution*, A-01-13-13069 (December 2014).

²¹ SSA, OIG, *The Social Security Administration’s Compliance with the Payment Integrity Information Act of 2019 in the Fiscal Year 2020 Agency Financial Report*, A-15-20-50949, p. 9 (May 2021).

²² SSA, OIG, *Supplemental Security Income Recipients Who Have Not Had a Redetermination in Longer than 10 Years*, A-01-17-50219, p. 9 (August 2018).

In July 2021, we reported SSA staff did not update the value of one or more resources, including financial accounts, in SSA systems when they completed redeterminations. We projected 65,980 recipients were over the SSI resource limit and were improperly paid approximately \$64 million. We recommended SSA remind staff to develop recipient-owned accounts listed on the Supplemental Security Record when they complete redeterminations.²³ In September 2021, SSA issued a reminder to staff to develop and properly document financial accounts.

As in prior years, we maintain that SSA needs to implement or expand existing corrective actions to address improper payments. SSA should continue exploring the liquid resource tolerance reduction from \$400 to \$0 as well as reducing the barriers to using AFI between initial claims and redeterminations.

Overpayments Caused by Earnings

According to SSA, wage discrepancies are a leading cause of SSI improper payments.²⁴ Wage discrepancies occur when a recipient's actual wages differ from the wages SSA uses to calculate the SSI payment. SSA has developed three wage reporting systems to mitigate wage discrepancies.

1. In FY 2008, SSA implemented the SSI Telephone Wage Reporting System to allow recipients, representative payees, and deemors²⁵ to report prior monthly gross wages.
2. In August 2013, SSA implemented SSI Mobile Wage Reporting.
3. In June 2018, SSA implemented online wage reporting for SSI recipients.

SSA's FY 2021 priority goal was to increase overall SSI wage reporting by 2 percent;²⁶ however, per SSA, the goal was not met because of the COVID-19 pandemic. Although the number of wage reports SSI recipients submitted using these systems increased over the years, overpayments related to wages increased 155 percent from FYs 2010 to 2020, as shown in Figure 2.

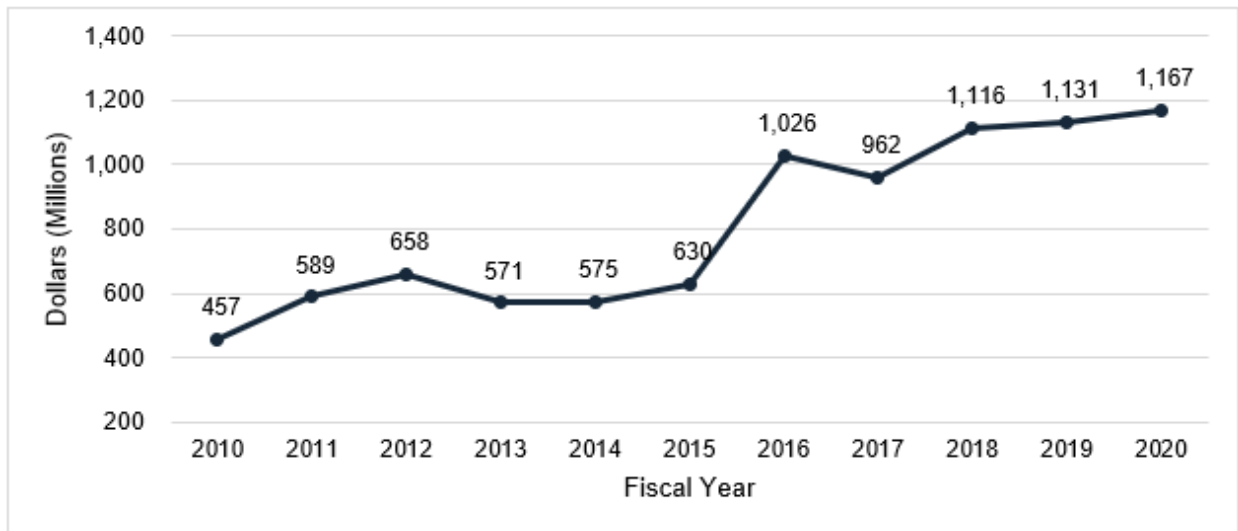
²³ SSA, OIG, *Redeterminations Social Security Administration Employees Closed Without Assessing Resources*, A-02-18-50545 (July 2021).

²⁴ SSA, *Fiscal Year 2020 Title XVI Payment Accuracy Report*, p. 2 (July 2021).

²⁵ A deemor is an individual, such as an SSI recipient's ineligible spouse or parent, whose income and resources SSA considers when it determines a recipient's SSI eligibility or payment amount. SSA, *POMS*, SI 01310.127 (April 13, 1999).

²⁶ *Program Scorecards*, paymentaccuracy.gov (February 22, 2022).

**Figure 2: SSI Wages Overpayment Deficiency Dollars²⁷
(FYs 2010 Through 2020)**



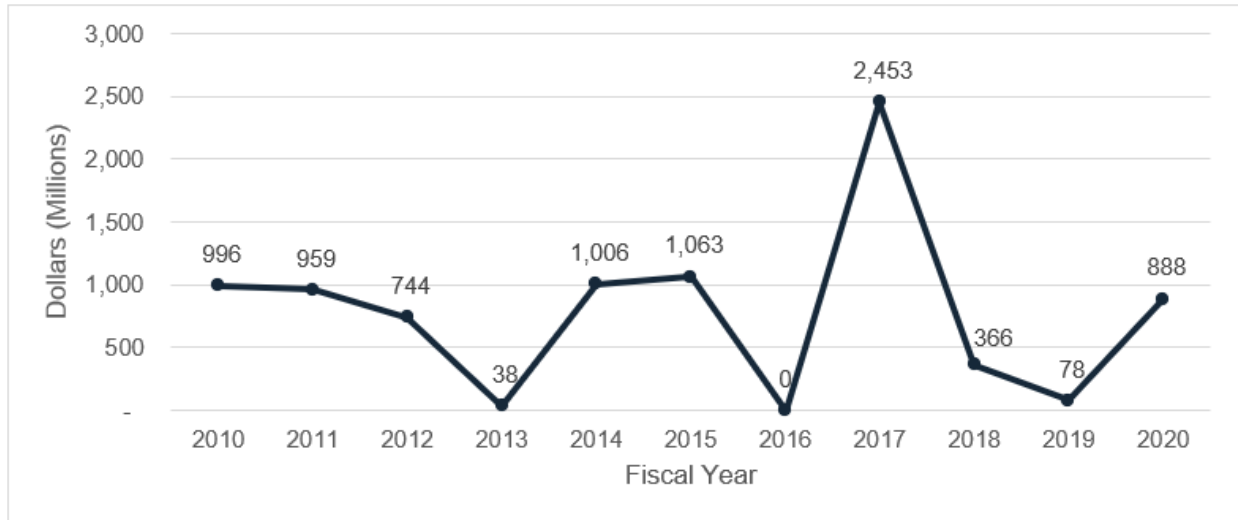
SSA provided the following response for the increase in overpayments caused by wages: “Internal system enhancements have enabled us to detect and take corrective action on previously undetected improper payments. In addition, the Federal Benefit Rate has increased annually from \$733 in 2016 to \$783 in 2020, thereby increasing the amount of improper payments.”²⁸

In addition, overpayments attributed to disabled beneficiaries engaging in substantial gainful activity (SGA) have been a leading cause of improper OASDI overpayments. As shown in Figure 3, SGA overpayments fluctuated greatly from FYs 2010 through 2020.

²⁷ OQR provided deficiency dollar amounts in Figure 2. We did not independently verify the accuracy of these data.

²⁸ The SSI Federal Benefit Rate increased approximately 7 percent from 2016 to 2020; however, SSI overpayment wages increased approximately 14 percent from 2016 to 2020.

Figure 3: OASDI SGA Overpayment Deficiency Dollars²⁹ (FYs 2010 Through 2020)



SSA provided the following response for the increase in overpayments caused by SGA: “The FY19 amount was based on finding only one deficient case caused by SGA. In 2020, we found 3 cases, one of which was connected to projected overpayments of \$610 million on its own.”

In FY 2019, SSA awarded a vendor a contract to build an information exchange to obtain monthly earnings data from third-party payroll data providers. SSA completed its first data exchange in August 2021. SSA is several years from determining whether the commercial payroll exchange effectively reduces improper payments caused by wage and SGA reporting deficiencies. Because SSA has not reduced overpayments due to wages and SGA, it should continue implementing the commercial payroll exchange as well as other corrective actions to reduce these errors.

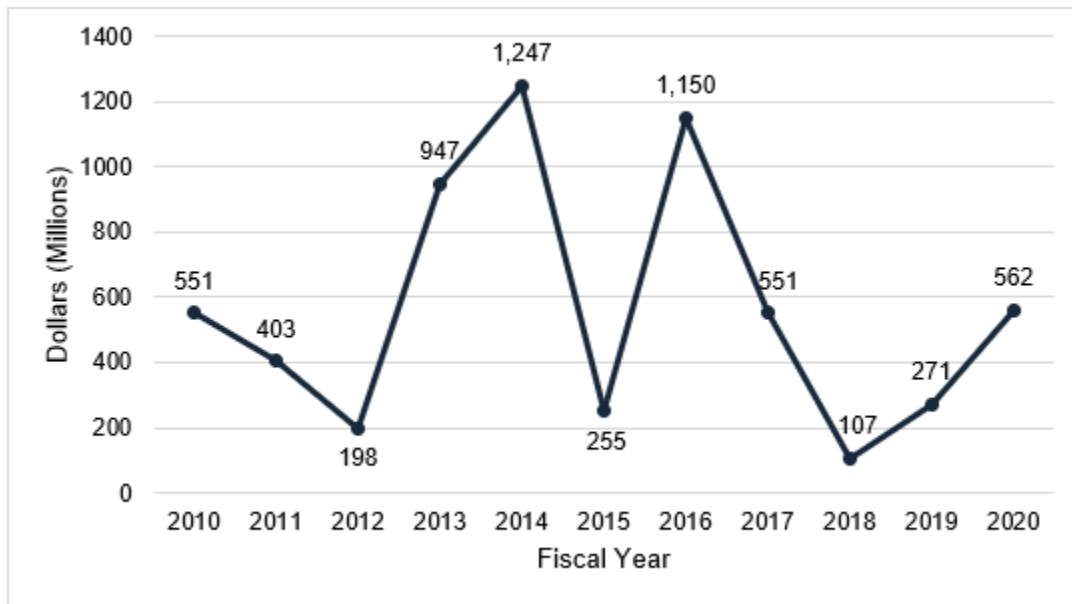
OASDI Overpayments Caused by Computations

In FY 2021, SSA reported that one of the leading causes of OASDI overpayments was computations. Inaccurate information or administrative mistakes can cause errors in benefit calculations.³⁰ Overpayments related to computations fluctuated greatly over 7 years. As shown in Figure 4, overpayments related to computations fluctuated greatly from year to year.

²⁹ OQR provided deficiency dollar amounts in Figure 3. We did not independently verify the accuracy of these data.

³⁰ SSA, *Agency Financial Report Fiscal Year 2020: Payment Integrity*, p. 188 (2020).

**Figure 4: OASDI Computations Overpayment Deficiency Dollars³¹
(FYs 2010 Through 2020)**



The three leading causes of computational deficiencies that result in overpayments are: the windfall elimination provision (WEP);³² the family maximum; and retirement insurance benefit limitations. In FY 2020, WEP accounted for \$260 million (46 percent) of the computation overpayments for the OASDI program. SSA stated the increase of overpayments caused by WEP from FY 2019 to FY 2020 was caused by “. . . [finding] 8 overpayment WEP cases in 2019 and 7 overpayment WEP cases in 2020. However, in 2020, one of the seven deficient cases was unusually large, and was responsible for projected overpayments totaling \$218 million on its own.”

In January 2021, SSA requested the Internal Revenue Service (IRS) develop a code that would distinguish between covered and non-covered pensions on the Form 1099-MISC, *Miscellaneous Income*; however, the IRS indicated it would not update the Form because that would serve no tax purpose. SSA also requested a computer-matching agreement to match non-covered Form W-2, *Wage and Tax Statement* records with Form 1099-MISC. The IRS did not believe it was permissible to release that information to SSA. Based on the responses from the IRS, SSA provided the following update to corrective actions related to computations.

³¹ OQR provided deficiency dollar amounts in Figure 4. We did not independently verify the accuracy of these data.

³² WEP can affect how SSA calculates a retirement or disability benefit. If a beneficiary works for an employer that does not withhold Social Security taxes from their salary, any retirement or disability pension they get from that work can reduce Social Security benefits.

As we have done in the past, we will continue to support legislation that will require state and local government to identify and report to the agency data on pension distributions based on earnings not covered by the [OASDI] program.³³ Additionally, we are supporting OQR on conducting a study to identify current OASDI beneficiaries whose benefits are not adjusted for the WEP or [Government Pension Offset], but have one or more years of non-covered earnings from an employer whose [employer identification number] is associated with current beneficiaries whose benefits are subject to WEP or [Government Pension Offset]. This study's findings should help identify opportunities to prevent improper payments.

SSA should continue identifying initiatives that reduce OASDI improper payments caused by computation errors and determine whether its existing initiatives are effective in reducing improper payments.

Oversight Assessed by the Office of the Inspector General

We are overseeing the SSI and OASDI programs through various audits. In FY 2021, we issued 53 reports that identified over \$1 billion in questioned costs and over \$3.1 billion in federal funds that could be put to better use. In November 2021, we reported SSA faced major challenges in improving the prevention, detection, and recovery of improper payments.³⁴ See Appendix E for our FY 2021 reports related to improving the prevention, detection, and recovery of improper payments.

RECOMMENDATION

We recommend SSA complete the expansion study for AFI and assess the effectiveness of lowering the countable liquid resource tolerance to \$0.

AGENCY COMMENTS

SSA agreed with our recommendation. SSA's comments are included in Appendix F.



Michelle L. Anderson
Assistant Inspector General for Audit

³³ SSA indicated it currently has no position on this proposal.

³⁴ SSA, OIG, *Fiscal Year 2021 Inspector General's Statement on the Social Security Administration's Major Management and Performance Challenges*, A-02-20-50976 (November 2021).

APPENDICES

Appendix A AGENCY REPORTING REQUIREMENTS

Office of Management and Budget (OMB) Circular A-136 outlines the information agencies are required to address in their annual Agency Financial Report or Performance and Accountability Reports, which includes actions taken to address audit recovery recommendations.¹ OMB guidance defines significant improper payments as exceeding \$10 million of all program or activity payments made during the fiscal year (FY) reported and 1.5 percent of program outlays or \$100 million.² For each program and activity identified as at risk for significant improper payments, the Agency is required to use an OMB-approved estimate methodology to produce a statistically valid estimate of the improper payments and include those estimates in the materials that accompany the Agency's annual financial statements.³

Annual Data Call

Beginning FY 2020, information previously required by OMB Circular A-136⁴ will be reported on the payment accuracy Website⁵ through the OMB payment integrity annual data call.⁶ OMB uses the data call information to populate the information posted on [paymentaccuracy.gov](https://www.paymentaccuracy.gov). The data call instructions require that agencies complete a survey for each program with significant improper payments. The survey includes the following information, as applicable to the program:

- general cash outlays,
- risk assessment cycle,
- current year results,
- overpayment/underpayment causes,
- technically improper causes,
- actions that were taken to address corrective actions,
- actions that will be taken to address corrective actions,
- actions to reduce improper payments,

¹ OMB, *Financial Reporting Requirements*, Circular A-136 Revised, section II.4.5 p. 111 (2021).

² OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, part I, section (C)(1), p. 19 (2021).

³ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, part II, section (B)(2), p. 17 (2021).

⁴ OMB, *Financial Reporting Requirements*, Circular A-136 Revised, section II.4.5 p. 111 (2021).

⁵ *Payment Accuracy*, [paymentaccuracy.gov](https://www.paymentaccuracy.gov) (February 22, 2022).

⁶ OMB Annual Data Call instructions are posted to [community.max.gov](https://www.community.max.gov).

- actions to recover improper payments,
- *Payment Integrity Information Act of 2019* compliance, and
- confirmed fraud.⁷

Quarterly Scorecards

Each quarter, high-priority programs must provide information through a mechanism determined by OMB. OMB determined this information would be provided through quarterly surveys and the collected information will be published quarterly in a Payment Integrity Scorecard on paymentaccuracy.gov. This published information will fulfill the High Dollar Overpayment Reporting Requirements⁸ and also the High-Priority Program Reporting Requirements.⁹ The quarterly survey questions require that agencies report the following:

- a description of the program;
- the status of each of the program's milestones;
- the expected completion data for each of the milestones;
- the leading root causes of improper payments, the mitigation strategies to develop and address the root cause, and the impact of the mitigation strategies;
- the top two goals for the quarter, the progress of them, and the expected completion date of the goal;
- the top three accomplishments and completion dates; and
- actions taken to recover overpayments.

⁷ OMB Annual Data Call instructions are posted to community.max.gov.

⁸ *Reducing Improper Payments*, Executive Order 13520, 74 Fed. Reg. 62,201, p. 62,203 (November 25, 2009).

⁹ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, VII B(1), p. 56 (2021).

Appendix B INSPECTOR GENERAL REPORTING RESPONSIBILITIES

Our compliance review for Fiscal Year (FY) 2021 used a combination of requirements in Office of Management and Budget (OMB) Circulars A-123, Appendix C *Requirements for Payments Integrity Improvement*¹ and A-136 *Financial Reporting Requirements*;² OMB Annual Data Call Instructions;³ OMB Quarterly Surveys;⁴ and the Council of the Inspectors General on Integrity and Efficiency's guidance required under the *Payment Integrity Information Act of 2019* (PIIA).⁵

OMB guidance specifies that each agency's Inspector General review improper payment reporting in its annual Agency Financial Report or Performance and Accountability Report and accompanying materials⁶ to determine whether it complied with PIIA.⁷

According to OMB, compliance with PIIA means the agency has:

1. published payment integrity information with the annual financial statement;
2. posted the annual financial statement and accompanying materials on the agency Website;
3. conducted improper payment (IP) risk assessment for each program with annual outlays greater than \$10,000,000 at least one in the last three years;
4. adequately concluded whether the program is likely to make IPs and Unknown Payments (UP) above or below the statutory threshold;
5. published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement;
6. published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;

¹ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, (2021).

² OMB, *Financial Reporting Requirements*, Circular A-136 Revised (2021).

³ OMB Annual Data Call instructions are posted to community.max.gov.

⁴ OMB, *Program Scorecards*, paymentaccuracy.gov (March 1, 2022).

⁵ Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (2021).

⁶ Accompanying materials include information provided by SSA through the annual data calls and quarterly surveys to OMB that is used to populate information on paymentaccuracy.gov, including quarterly program scorecards, annual improper payment datasets and the annual improper payments dashboard.

⁷ *Payment Integrity Information Act of 2019*, 31 U.S.C. § 3351 note.

7. published IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
8. demonstrated improvements to payment integrity or reached a tolerable IP and UP rate;
9. developed a plan to meet the IP and UP reduction target; and
10. reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

Per OMB, if an agency does not meet one or more of these requirements, it is not compliant with PIIA.⁸

Quarterly Scorecards

Per OMB, the Inspector General shall assess the information provided on the agency's quarterly scorecards published on paymentaccuracy.gov and determine the extent of Inspector General oversight warranted to prevent monetary loss IPs. In addition, based on the information provided on the quarterly scorecards, the Inspector General may provide the agency head with concrete and actionable recommendations for modifying the agency's plans to recover monetary loss IPs as well as any actions the agency intends to take to prevent IPs and UPs from occurring in the future.

⁸ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, Part VI, section (A), p. 43 (2021).

Appendix C SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed the *Payment Integrity Information Act of 2019* (PIIA); Office of Management and Budget (OMB) Circulars A-123, Appendix C, *Requirements for Payment Integrity Improvement*¹ and A-136, *Financial Reporting Requirements*;² OMB Annual Data Call Instructions;³ and Council of the Inspectors General on Integrity and Efficiency's guidance⁴ to ensure compliance with all requirements of PIIA.
- Reviewed the payment integrity section in the Social Security Administration's (SSA) Fiscal Year (FY) 2021 Agency Financial Report and FY 2021 accompanying materials, which include information SSA provides through quarterly and annual data calls to OMB that is used to populate information on paymentaccuracy.gov. Information on paymentaccuracy.gov includes quarterly program scorecards, annual improper payment datasets and the annual improper payments dashboard.
- Reviewed applicable Federal laws and regulations and SSA's *Program Operations Manual System*.
- Requested and analyzed source data from SSA's Office of Budget, Finance, and Management to support statements and figures in the Agency Financial Report and accompanying materials for accuracy and completeness.
- Reviewed meeting minutes for the Improper Payments Prevention Team, Improper Payments Oversight Board, and Associate Commissioner Improper Payments Roundtable.
- Reviewed the Improper Payments Prevention Team's monthly initiatives at a glance and Improper Payment Alignment Strategies in process and/or finalized.

We conducted our audit from November 2021 through April 2022 in Baltimore, Maryland. The primary SSA entity audited was the Office of Budget, Finance, and Management. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, (2021).

² OMB, *Financial Reporting Requirements*, Circular A-136 Revised (2021).

³ OMB Annual Data Call instructions are posted to community.max.gov.

⁴ Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (2021).

We determined the computerized data we used during our audit were sufficiently reliable given our objectives and the intended use of the data should not lead to incorrect or unintentional conclusions.

We assessed the significance of internal controls necessary to satisfy the audit objectives. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls as associated with the audit objectives. We identified the following five components and nine principles as significant to the audit objectives.

- Component 1: Control Environment
 - Principle 2: Exercise oversight responsibility
 - Principle 3: Establish structure, responsibility, and authority
- Component 2: Risk Assessment
 - Principle 7: Identify, analyze, and respond to risk
 - Principle 9: Analyze and response to change
- Component 3: Control Activities
 - Principle 10: Design control activities
- Component 4: Information and Communication
 - Principle 13: Use quality information
 - Principle 14: Communicate internally
 - Principle 15: Communicate externally
- Component 5: Monitoring
 - Principle 16: Perform monitoring activities
 - Principle 17: Remediate deficiencies

Appendix D OFFICE OF MANAGEMENT AND BUDGET GUIDANCE

An agency is considered to be compliant with the *Payment Integrity Information Act of 2019* if it has reported an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.¹

Office of the Inspector General Observation

The Fiscal Year 2021 dataset posted on paymentaccuracy.gov shows the improper payment and unknown payment estimate for Supplemental Security Income (SSI) was 10.09 percent. The rate is more than 10 percent, which did not meet guidance requirements.

Agency Response

“We strive to reduce improper payments within the constraints of statutory and regulatory requirements and available resources. Administering the SSI program is complicated by the statutory requirement for us to determine SSI eligibility and calculate SSI payments monthly. We generally make SSI payments on the first day of the month for eligibility in that month. Many factors influence SSI payment accuracy. Even if a payment was correct when paid, subsequent changes in that month can affect the payment due, resulting in either an overpayment or underpayment. Thus, the program requirements themselves sometimes cause improper payments. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. While we strive to improve our efforts to reduce improper payments, outcomes must be significant to affect our error rate. To have an effect on improper payments, for Fiscal Year 2020 each tenth of a percentage point in payment accuracy represented about \$56.9 million in SSI program payments.”

¹ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, Part VI, section (A)(6) p. 49 (2021).

Appendix E FISCAL YEAR 2021 OFFICE OF THE INSPECTOR GENERAL REPORTS

The following Office of the Inspector General reports are related to improving the prevention, detection, and recovery of improper payments.

- *Deceased Beneficiaries in Suspended Payment Status*, [A-08-19-50800](#) (November 2021)
- *Overpayments with Recovery Agreements that Will Extend Beyond 2049*, [A-07-19-50775](#) (September 2021)
- *Follow-up on Old-Age, Survivors and Disability Insurance Benefits Affected by State and Local Pensions*, [A-13-17-50191](#) (July 2021)
- *Redeterminations Social Security Administration Employees Closed without Assessing Resources*, [A-02-18-50545](#) (July 2021)
- *System Alerts for Beneficiaries Identified by the Delinquent Debt Trigger File*, [A-07-18-50743](#) (June 2021)
- *The Social Security Administration's Application of the Retirement Insurance Benefits Limitation and Reduced Widow(er)'s Benefit Policy*, [A-01-13-23095](#) (June 2021)
- *Follow-up on Transferring Supplemental Security Income Overpayments from Prior Records to the Current Record for Recovery*, [A-01-17-50226](#) (June 2021)
- *The Social Security Administration's Administrative Finality Policy*, [A-01-19-50859](#) (May 2021)
- *Follow-up on Underpayments Payable to Terminated Old-Age, Survivors and Disability Insurance Beneficiaries*, [A-09-19-50848](#) (December 2020)
- *Follow-up on Disabled Supplemental Security Income Recipients Potentially Eligible for Childhood Disability Benefits*, [A-13-18-50714](#) (December 2020)
- *Old-Age, Survivors and Disability Insurance Benefits to Individuals Who Are Recorded as Deceased on the Supplemental Security Record*, [A-13-17-50176](#) (December 2020)
- *Old-Age, Survivors and Disability Insurance Child Beneficiaries Receiving Benefits Under Multiple Records*, [A-08-19-50814](#) (December 2020)
- *Supplemental Security Income Recipients Denied Old-Age, Survivors and Disability Insurance Benefits Based on Lack of Technical Evidence*, [A-05-18-50654](#) (November 2020)
- *Benefits Payable to Widow(er)s Subject to Government Pension Offset Had They Delayed Their Application*, [A-09-19-50791](#) (November 2020)
- *Improper Payments to Retired Beneficiaries Who Worked Before Full Retirement Age*, [A-09-18-50685](#) (November 2020)

Appendix F AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: May 4, 2022

Refer To: TQA-1

To: Gail S. Ennis
Inspector General

A handwritten signature in blue ink, appearing to read "Scott Frey".

From: Scott Frey
Chief of Staff

Subject: Office of the Inspector General Draft Report "The Social Security Administration's Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2021" (A-15-21-51121) — INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendation.

We plan to revisit the Access to Financial Institutions (AFI) threshold study in fiscal year 2023. Fluctuations in a Supplemental Security Income (SSI) recipient's account balances may affect SSI eligibility, and will remain a cause for improper payments regardless of the AFI threshold. Nevertheless, we are exploring ways to improve our identification and prevention of improper payments.

Please let me know if I can be of further assistance. You may direct staff inquiries to

Trae Sommer at (410) 965-9102.



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